

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Elmwood	County Tuscola
Audit Date March 31, 2004	Opinion Date June 3, 2004	Date Accountant Report Submitted to State: June 3, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

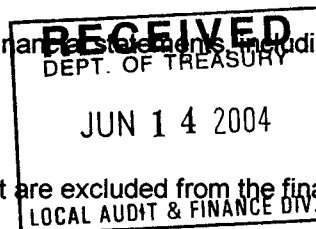
We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).



We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>			

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

~~GENERAL PURPOSE FINANCIAL STATEMENTS~~
RECEIVED ~~DEPT. OF TREASURY~~ ~~SUPPLEMENTARY INFORMATION~~

✓ JUN 14 2004
6/10
Year Ended March 31, 2004

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

INDEPENDENT AUDITOR'S REPORT

June 3, 2004

To the Township Board
Township of Elmwood
Tuscola County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Elmwood, Tuscola County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Elmwood's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Elmwood, Tuscola County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Elmwood, Tuscola County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Agency</u>
<u>Assets</u>				
Cash in bank	1 954 58	-	-	2 00
Investments	130 745 44	73 581 85	38 536 24	-
Taxes receivable	5 534 31	7 464 71	4 524 48	-
Due from other funds	2 00	-	-	-
Land	-	-	-	-
Buildings	-	-	-	-
Equipment	-	-	-	-
Amount available for debt retirement	-	-	-	-
Amount to be provided for debt retirement	-	-	-	-
Total Assets	<u>138 236 33</u>	<u>81 046 56</u>	<u>43 060 72</u>	<u>2 00</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	-	-	-	2 00
Contract payable	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2 00</u>
Fund equity:				
Investment in general fixed assets	-	-	-	-
Fund balances:				
Unreserved:				
Undesignated	<u>138 236 33</u>	<u>81 046 56</u>	<u>43 060 72</u>	<u>-</u>
Total fund equity	<u>138 236 33</u>	<u>81 046 56</u>	<u>43 060 72</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>138 236 33</u>	<u>81 046 56</u>	<u>43 060 72</u>	<u>2 00</u>

The accompanying notes are an integral part of these financial statements.

Account Groups		Total
General Fixed Assets	General Long- Term Debt	(Memorandum Only)
-	-	1 956 58
-	-	242 863 53
-	-	17 523 50
-	-	2 00
17 680 00	-	17 680 00
86 300 00	-	86 300 00
289 298 34	-	289 298 34
-	43 060 72	43 060 72
-	125 109 28	125 109 28
<u>393 278 34</u>	<u>168 170 00</u>	<u>823 793 95</u>
-	-	2 00
-	168 170 00	168 170 00
-	168 170 00	168 172 00
393 278 34	-	393 278 34
-	-	262 343 61
<u>393 278 34</u>	<u>-</u>	<u>655 621 95</u>
<u>393 278 34</u>	<u>168 170 00</u>	<u>823 793 95</u>

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

EXHIBIT B

Year Ended March 31, 2004

Page 1

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Special</u>	<u>Debt</u>	<u>(Memorandum</u>
		<u>Revenue</u>	<u>Service</u>	<u>Only)</u>
Revenues:				
Property taxes	45 463 70	71 047 13	43 060 72	159 571 55
Licenses and permits	880 00	-	-	880 00
Federal grant	-	45 504 00	-	45 504 00
State grant	-	1 573 00	-	1 573 00
State revenue sharing	63 532 00	-	-	63 532 00
Charges for services – PTAF	7 154 25	-	-	7 154 25
Interest	883 05	374 99	-	1 258 04
Miscellaneous	<u>646 63</u>	<u>5 210 31</u>	<u>-</u>	<u>5 856 94</u>
Total revenues	<u>118 559 63</u>	<u>123 709 43</u>	<u>43 060 72</u>	<u>285 329 78</u>
Expenditures:				
Legislative:				
Township Board	2 400 00	-	-	2 400 00
General government:				
Supervisor	6 000 00	-	-	6 000 00
Elections	446 00	-	-	446 00
Assessor	6 737 14	-	-	6 737 14
Clerk	6 218 37	-	-	6 218 37
Board of Review	1 260 90	-	-	1 260 90
Treasurer	6 556 37	-	-	6 556 37
Building and grounds	2 916 62	-	-	2 916 62
Cemetery	2 642 58	-	-	2 642 58
Unallocated	6 778 60	-	-	6 778 60
Public safety:				
Fire protection	-	49 985 96	-	49 985 96
Ambulance	4 852 00	-	-	4 852 00
Zoning	1 098 00	-	-	1 098 00
Public works:				
Highways and streets	57 887 83	41 791 88	-	99 679 71
Culture and recreation:				
Library	-	20 479 42	-	20 479 42
Other:				
Insurance	1 151 10	-	-	1 151 10
Capital outlay	<u>2 582 10</u>	<u>199 794 56</u>	<u>-</u>	<u>202 376 66</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

EXHIBIT B
Page 2

Year Ended March 31, 2004

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Special</u>	<u>Debt</u>	<u>(Memorandum</u>
		<u>Revenue</u>	<u>Service</u>	<u>Only)</u>
Total expenditures	<u>109 527 61</u>	<u>312 051 82</u>	<u>-</u>	<u>421 579 43</u>
Excess (deficiency) of revenues over expenditures	<u>9 032 02</u>	<u>(188 342 39)</u>	<u>43 060 72</u>	<u>(136 249 65)</u>
Other financing sources (uses):				
Loan proceeds	<u>-</u>	<u>168 170 00</u>	<u>-</u>	<u>168 170 00</u>
Total other financing sources(uses)	<u>-</u>	<u>168 170 00</u>	<u>-</u>	<u>168 170 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>9 032 02</u>	<u>(20 172 39)</u>	<u>43 060 72</u>	<u>31 920 35</u>
Fund balances, April 1	<u>129 204 31</u>	<u>101 218 95</u>	<u>-</u>	<u>230 423 26</u>
Fund Balances, March 31	<u>138 236 33</u>	<u>81 046 56</u>	<u>43 060 72</u>	<u>262 343 61</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C
Page 1

	General Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	52 000 00	45 463 70	(6 536 30)
Licenses and permits	2 000 00	880 00	(1 120 00)
Federal grant	-	-	-
State grant	-	-	-
State revenue sharing	60 000 00	63 532 00	3 532 00
Charges for services – PTAF	-	7 154 25	7 154 25
Interest	2 000 00	883 05	(1 116 95)
Miscellaneous	<u>1 400 00</u>	<u>646 63</u>	<u>(753 37)</u>
Total revenues	<u>117 400 00</u>	<u>118 559 63</u>	<u>1 159 63</u>
Expenditures:			
Legislative:			
Township Board	2 600 00	2 400 00	(200 00)
General government:			
Supervisor	6 200 00	6 000 00	(200 00)
Elections	300 00	446 00	146 00
Assessor	7 300 00	6 737 14	(562 86)
Clerk	6 200 00	6 218 37	18 37
Board of Review	1 500 00	1 260 90	(239 10)
Treasurer	6 800 00	6 556 37	(243 63)
Building and grounds	3 000 00	2 916 62	(83 38)
Cemetery	3 500 00	2 642 58	(857 42)
Unallocated	7 000 00	6 778 60	(221 40)
Public safety:			
Fire protection	-	-	-
Ambulance	5 000 00	4 852 00	(148 00)
Zoning	500 00	1 098 00	598 00
Public works:			
Highways and streets	59 000 00	57 887 83	(1 112 17)
Drains at large	1 500 00	-	(1 500 00)
Culture and recreation:			
Library	-	-	-
Other:			
Insurance	5 000 00	1 151 10	(3 848 90)
Capital outlay	<u>2 000 00</u>	<u>2 582 10</u>	<u>582 10</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
94 000 00	71 047 13	(22 952 87)
-	-	-
-	45 504 00	45 504 00
-	1 573 00	1 573 00
-	-	-
-	-	-
-	374 99	374 99
<u>5 500 00</u>	<u>5 210 31</u>	<u>(289 69)</u>
<u>99 500 00</u>	<u>123 709 43</u>	<u>24 209 43</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
20 000 00	49 985 96	29 985 96
-	-	-
-	-	-
59 000 00	41 791 88	(17 208 12)
-	-	-
20 500 00	20 479 42	(20 58)
-	-	-
<u>-</u>	<u>199 794 56</u>	<u>199 794 56</u>

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Total expenditures	<u>117 400 00</u>	<u>109 527 61</u>	<u>(7 872 39)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>9 032 02</u>	<u>9 032 02</u>
Other financing sources (uses):			
Loan proceeds	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>-</u>	<u>9 032 02</u>	<u>9 032 02</u>
Fund balances, April 1	<u>-</u>	<u>129 204 31</u>	<u>129 204 31</u>
Fund Balances, March 31	<u>-</u>	<u>138 236 33</u>	<u>138 236 33</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>99 500 00</u>	<u>312 051 82</u>	<u>212 551 82</u>
<u>-</u>	<u>(188 342 39)</u>	<u>(188 342 39)</u>
<u>-</u>	<u>168 170 00</u>	<u>168 170 00</u>
<u>-</u>	<u>168 170 00</u>	<u>168 170 00</u>
<u>-</u>	<u>(20 172 39)</u>	<u>(20 172 39)</u>
<u>-</u>	<u>101 218 95</u>	<u>101 218 95</u>
<u>-</u>	<u>81 046 56</u>	<u>81 046 56</u>

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Township of Elmwood, Tuscola County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Elmwood. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund

The Debt Service Fund accounts for the financial transaction of general long-term debt.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

Account Groups

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

General Long-Term Debt Account Group

This account group presents the balance of general obligation long-term debt which is not recorded in proprietary funds.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

Property taxes (continued)

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 5.4719 mills, and the taxable value was \$29,162,877.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts which is required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation or sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 - Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 2 – Deposits and Investments (continued)

political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 956 58</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>51 166 05</u>
Total Deposits	<u>151 166 05</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 2 – Deposits and Investments (continued)

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
<u>Investment Type</u>				
Risk-Categorized:				
Operating Funds:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonrisk-Categorized:				
Financial Institution				
Pooled Funds				<u>242 863 53</u>
Total Investments				<u>242 863 53</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 3 - Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land	17 680 00	-	-	17 680 00
Buildings	86 300 00	-	-	86 300 00
Equipment	<u>126 921 68</u>	<u>202 376 66</u>	<u>40 000 00</u>	<u>289 298 34</u>
Totals	<u>230 901 68</u>	<u>202 376 66</u>	<u>40 000 00</u>	<u>393 278 34</u>

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 4 - Interfund Receivables and Payables

The following is a summary of the interfund receivables and payables as of March 31, 2004:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>2 00</u>	Current Tax Collection	<u>2 00</u>
Total	<u>2 00</u>	Total	<u>2 00</u>

Note 5 - Changes in General Long-Term Debt

A summary of changes in general long-term debt follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
Contract payable	<u>-</u>	<u>168 170 00</u>	<u>-</u>	<u>168 170 00</u>

Note 6 - Contract Payable

On November 21, 2003, the Township obtained a bank loan in the amount of \$168,170.00 to finance the cost of a 2003 fire pumper truck. The loan is payable in four annual payments beginning November 21, 2004, in the amount of \$45,566.01, including interest at the rate of 3.25% per annum. As of March 31, 2004, the principal balance outstanding on the loan was \$168,170.00 and it is recorded in the General Long-Term Debt Account Group.

Note 7 - Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 8 - Pension Plan

The Township does not have a pension plan.

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2002

Note 9 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 - Building Permits

As of March 31, 2004, the Township had building permit revenues of \$400.00 and no building permit expenses.

Note 11 - Budget Variances

During the fiscal year ended March 31, 2004, Township expenditures exceeded the budgeted amounts in several activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund Activity:			
Elections	300 00	446 00	146 00
Clerk	6 200 00	6 218 37	18 37
Zoning	500 00	1 098 00	598 00
Capital outlay	2 000 00	2 582 10	582 10
Fire Fund Activity:			
Fire protection	20 000 00	49 985 96	29 985 96
Capital outlay	-	199 794 56	199 794 56

Note 12 - Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 1

Township Board:	
Salaries	<u>2 400 00</u>
Supervisor:	
Salary	<u>6 000 00</u>
Elections	<u>446 00</u>
Assessor:	
Salary	6 422 14
Miscellaneous	<u>315 00</u>
	<u>6 737 14</u>
Clerk:	
Salary	6 000 00
Miscellaneous	<u>218 37</u>
	<u>6 218 37</u>
Board of Review	<u>1 260 90</u>
Treasurer:	
Salary	6 000 00
Miscellaneous	<u>556 37</u>
	<u>6 556 37</u>
Building and grounds:	
Operating expenses	<u>2 916 62</u>
Cemetery:	
Wages	2 108 74
Operating expenses	<u>533 84</u>
	<u>2 642 58</u>
Unallocated:	
Legal	778 59
Payroll taxes	2 711 47
Miscellaneous	<u>3 288 54</u>
	<u>6 778 60</u>
Ambulance	<u>4 852 00</u>
Zoning	<u>1 098 00</u>
Highways and streets:	
Repairs and maintenance	<u>57 887 83</u>

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 2

Insurance	<u>1 151 10</u>
Capital outlay	<u>2 582 10</u>
Total Expenditures	<u>109 527 61</u>

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
Year Ended March 31, 2004

EXHIBIT E

	<u>Fire</u>	<u>Road</u>	<u>Library</u>	<u>Total</u>
<u>Assets</u>				
Investments	35 178 78	38 403 07	-	73 581 85
Taxes receivable	<u>2 955 81</u>	<u>4 508 90</u>	<u>-</u>	<u>7 464 71</u>
Total Assets	<u>38 134 59</u>	<u>42 911 97</u>	<u>-</u>	<u>81 046 56</u>
<u>Liabilities and Fund Balances</u>				
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Undesignated	<u>38 134 59</u>	<u>42 911 97</u>	<u>-</u>	<u>81 046 56</u>
Total fund balances	<u>38 134 59</u>	<u>42 911 97</u>	<u>-</u>	<u>81 046 56</u>
Total Liabilities and Fund Balances	<u>38 134 59</u>	<u>42 911 97</u>	<u>-</u>	<u>81 046 56</u>

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS EXHIBIT F
Year Ended March 31, 2004 Page 1

	<u>Fire</u>	<u>Road</u>	<u>Library</u>	<u>Total</u>
Revenues:				
Property tax	28 135 16	42 911 97	-	71 047 13
Federal grant	45 504 00	-	-	45 504 00
State grant	1 573 00	-	-	1 573 00
Interest	235 87	139 12	-	374 99
Miscellaneous	<u>5 210 31</u>	<u>-</u>	<u>-</u>	<u>5 210 31</u>
Total revenues	<u>80 658 34</u>	<u>43 051 09</u>	<u>-</u>	<u>123 709 43</u>
Expenditures:				
Public safety:				
Fire protection:				
Wages	4 868 67	-	-	4 868 67
Insurance	12 837 90	-	-	12 837 90
Repairs and maintenance	4 083 39	-	-	4 083 39
Miscellaneous	2 068 59	-	-	2 068 59
Supplies	25 377 70	-	-	25 377 70
Professional services	749 71	-	-	749 71
Public works:				
Highways and streets:				
Contracted services	-	41 791 88	-	41 791 88
Culture and recreation:				
Library:				
Contracted services	-	-	20 479 42	20 479 42
Capital outlay	<u>199 794 56</u>	<u>-</u>	<u>-</u>	<u>199 794 56</u>
Total expenditures	<u>249 780 52</u>	<u>41 791 88</u>	<u>20 479 42</u>	<u>312 051 82</u>
Excess (deficiency) of revenues over expenditures	<u>(169 122 18)</u>	<u>1 259 21</u>	<u>(20 479 42)</u>	<u>(188 342 39)</u>
Other financing sources (uses):				
Loan proceeds	168 170 00	-	-	168 170 00
Total other financing sources (uses)	<u>168 170 00</u>	<u>-</u>	<u>-</u>	<u>168 170 00</u>

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS EXHIBIT F
Year Ended March 31, 2004 Page 2

	<u>Fire</u>	<u>Road</u>	<u>Library</u>	<u>Total</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(952 18)	1 259 21	(20 479 42)	(20 172 39)
Fund balances, April 1	<u>39 086 77</u>	<u>41 652 76</u>	<u>20 479 42</u>	<u>101 218 95</u>
Fund Balances, March 31	<u>38 134 59</u>	<u>42 911 97</u>	<u>-</u>	<u>81 046 56</u>

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES EXHIBIT G
Year Ended March 31, 2004

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in bank	<u>2 00</u>	<u>650 019 96</u>	<u>650 019 96</u>	<u>2 00</u>
Total Assets	<u>2 00</u>	<u>650 019 96</u>	<u>650 019 96</u>	<u>2 00</u>
<u>Liabilities</u>				
Due to other funds	<u>2 00</u>	<u>149 194 69</u>	<u>149 194 69</u>	<u>2 00</u>
Due to other units	<u>-</u>	<u>500 825 27</u>	<u>500 825 27</u>	<u>-</u>
Total Liabilities	<u>2 00</u>	<u>650 019 96</u>	<u>650 019 96</u>	<u>2 00</u>

TOWNSHIP OF ELMWOOD
Tuscola County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year Ended March 31, 2004

EXHIBIT H

Cash in bank – beginning of year	<u>2 00</u>
Cash receipts:	
Current property tax	643 631 21
Property tax administration fees	<u>6 388 75</u>
Total cash receipts	<u>650 019 96</u>
Total beginning balance and cash receipts	<u>650 021 96</u>
Cash disbursements:	
Township General Fund	47 076 03
Township Fire Operating Fund	25 179 35
Township Road Fund	38 403 07
Township Fire Debt Service Fund	38 536 24
Tuscola County	227 166 14
Tuscola Intermediate School District	67 330 30
Cass City Public Schools	85 421 44
Huron Intermediate School District	49 113 79
Owen Gage Public Schools	41 100 98
Rawson Memorial Library	28 704 99
Refunds	<u>1 987 63</u>
Total cash disbursements	<u>650 019 96</u>
Cash in Bank – End of Year	<u>2 00</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

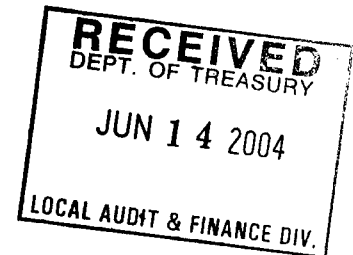
512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 3, 2004

To the Township Board
Township of Elmwood
Tuscola County, Michigan



We have audited the financial statements of the Township of Elmwood, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Elmwood in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Elmwood
Tuscola County, Michigan

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Elmwood
Tuscola County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Elmwood will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants